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Introduction

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1 Introduction

1.1 Oregon Housing and Community Services

Oregon Housing and Community Services (OHCS) is Oregon's housing finance agency. OHCS provides financial and program support to create and preserve quality, affordable housing. The agency primarily serves lower- and moderate-income families across the housing continuum by helping to prevent homelessness, provide housing stability supports, finance the building and preservation of affordable housing, and encourage homeownership.

OHCS is designated as the lead state agency to provide the administration of Community Development Block Grant Disaster Recovery (CDBG-DR) grant programs. The specific division designated to operate and manage the CDBG-DR program is the OHCS-Disaster Recovery and Resilience (DRR) division.

1.2 New CDBG-DR Funding

Oregon is the recipient of $422,286,000 in CDBG-DR funds. The funding will be used to address long-term recovery and hazard mitigation efforts in response to the 2020 Labor Day wildfires and straight-line winds.

1.3 Use of This Document

The purpose of this handbook is to:

- Assist subrecipients in the day-to-day administration of CDBG-DR projects.
- Help subrecipients of CDBG-DR funding complete their projects in compliance with program regulations.
- Provide tools to assist in CDBG-DR project implementation. The tools include tips, lists, forms, and sample documents that are attached to each chapter.

This handbook includes the basic information that cities and counties need to begin, manage, and close out a project funded by CDBG-DR. This handbook does not address how to determine eligibility for CDBG-DR activities or how to apply for a CDBG-DR grant. Specific CDBG-DR program guidelines, posted on the OHCS CDBG-DR website, address eligibility and application. OHCS staff will assist with questions about eligibility, project development, and the application process.

It is important that subrecipients understand and adhere to the federal and state requirements that apply to projects involving CDBG-DR funds. Failure to meet these requirements can result in severe consequences, including, but not limited to, the state being forced to rescind or recapture the grant award in whole or in part. OHCS staff is there to help subrecipients complete their projects successfully, so it is important to ask questions and keep OHCS staff informed about progress.

Each chapter of this handbook describes a specific area of the federal and state requirements that apply when CDBG-DR funds are used for a project. Also included with most chapters are checklists and tools that can be used to keep track of progress addressing key requirements discussed within the chapters.

In summary, this handbook provides most, but not all, of the information necessary to successfully implement a CDBG-DR project. It is very difficult to capture every nuance of the many and varied program requirements in one publication. Therefore, in specific chapters, the document may reference other program-specific documents where further details beyond the scope of this handbook can be found.

Subrecipients are encouraged to keep the handbook bookmarked so that it can be accessed quickly for information being added and updated, grant procedures and forms, and updated materials. Suggestions and comments on this handbook are welcome. Please direct them to ReOregon@hcs.oregon.gov.

1.4 Chapter Matrix

The following matrix is a helpful guide for subrecipients implementing an activity for a particular program to know which chapters are applicable for reading.

	Action Plan Designated Programs					
Sections of the CDBG-DR Manual	**HARP[1]**	**AHD[2]**	**HSS[3]**	**PIER[4]**	**Public Services**	**Planning**
Introduction and Project Administration	✓	✓	✓	✓	✓	✓
Environmental Review	✓	✓	✓	✓	✓	✓
Financial Management	✓	✓	✓	✓	✓	✓
Procurement	✓	✓	✓	✓	✓	✓
Labor Standards (DBRA)	✓	✓		✓		
Section 3	✓	✓		✓		
Fair Housing (EEO, 504, Section 3)	✓	✓	✓	✓	✓	
Acquisition and Relocation	✓	✓		✓		
Duplication of Benefits	✓	✓	✓	✓	✓	✓
Green Building Requirements	✓	✓		✓		
Mitigation	✓	✓		✓		✓
Monitoring and Audit	✓	✓	✓	✓	✓	✓
Fraud, Waste, and Abuse	✓	✓	✓	✓	✓	✓
Project Reports and Closeout	✓	✓	✓	✓	✓	✓
Asset Management	✓	✓	✓	✓	✓	✓

[1] HARP is an acronym for “Homeowner Assistance and Reconstruction Program” identified in the Action Plan.

[2] AHD is an acronym for the “Affordable Housing Development” program identified in the Action Plan. This program was added during substantial Action Plan Amendment #1.

[3] HSS is an acronym for the “Housing Support Services” program identified in the Action Plan. This program was added during substantial Action Plan Amendment #1.

[4] PIER is an acronym for the “Planning, Infrastructure, Economic Revitalization” program identified in the Action Plan.

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Project Administration

2 Project Administration

2.1 Applicability of CDBG-DR Requirements

The U.S. Department of Housing and Urban Development (HUD) allocates Community Development Block Grant Disaster Recovery (CDBG-DR) funds granted by public law through a Federal Register Notice (FRN) based on specific disaster events and also develops implementation requirements specific to each FRN. The FRN details the amount of funds being allocated, the recipients of the allocations, guidance, requirements for submitting an Action Plan detailing how the state will use the funds for disaster recovery and mitigation purposes, and any modifications or waivers of basic CDBG requirements found in 24 CFR 570. The rules and requirements may vary from disaster to disaster and require compliance with the specific FRN allocating the funds. HUD may publish waivers, alternative requirements, or clarifications through the use of memorandums. HUD's website offers a chronological list of all public laws, FRNs, and memorandums issued, located here: hud.gov/program_offices/comm_planning/cdbg-dr/regulations

2.1.1 Federal Register Volume 87 Page 31636

The list below highlights key changes in the FRN titled *Allocations for Community Development Block Grant Disaster Recovery and Implementation of the CDBG-DR Consolidated Waivers and Alternative Requirements Notice*, issued on May 24, 2022 (referenced as 87 FR 31636).

Each additional section of this manual or specific policies developed for activities funded by CDBG-DR will provide specific directions for these and other requirements in the Consolidated Notice. Key changes resulting from 87 FR 31636 include:

- **Most Impacted and Distressed (MID) Areas**: The Consolidated Notice identifies the "most impacted and distressed" areas based on the amount of damage to those cities or counties resulting from the qualifying major disaster. The Consolidated Notice requires that 80% to 100% of the CDBG-DR funds must be used in HUD-identified MID areas: Clackamas County, Douglas County, Jackson County, Lane County, Lincoln County, Linn County (ZIP code 97358), and Marion County. The remaining 20% can be used in a state-identified MID area that received a presidential disaster declaration but did not meet HUD's criteria for a HUD MID area. Oregon has identified Klamath County as having significant unmet needs and being eligible to receive CDBG-DR funding as well.

- **National Objectives:** The FRN modifies the Urgent Need (UN) national objective, allowing its use for CDBG-DR activities for 36 months after the applicability date of the FRN (i.e., in basic CDBG, UN can only be used within 18 months of the emergency). The FRN also adds the Low to Moderate Income (LMI) national objective that can be used when providing incentives to LMI households who have had their property purchased through a buyout program (i.e., in basic CDBG, buyout acquisitions are not an eligible activity and there is no such activity as an “incentive”).
- **Mitigation Set-Aside:** The Appropriations Act required that HUD provide an additional 15% of CDBG-DR funds as a mitigation set-aside to fund mitigation activities. The Consolidated Notice defines mitigation as “those activities that increase resilience to disasters and reduce or eliminate the long-term risk of loss of life, injury, damage to and loss of property, and suffering and hardship, by lessening the impact of future disasters.” Projects can have both a recovery need (based on impacts during the disaster) *and* a mitigation need (based on lessening impacts from future disasters). The FRN requires incorporating mitigation measures into the recovery activity when undertaking construction, reconstruction, or rehabilitation of both residential and non-residential structures. Alternatively, an activity can be funded entirely for the purpose of mitigation and must have a quantifiable mitigation outcome when completed.

  See **Chapter 12** of this manual for more details on mitigation requirements.
- **Duplication of Benefits (DOB):** A DOB may happen when a disaster-impacted person, business, or local government receives disaster assistance from more than one entity. When more than one source of funds is intended for the same purpose, an analysis of the funds must be undertaken to see if any funds “duplicate” the intended purpose for the CDBG-DR funds. Any other assistance found to duplicate the CDBG-DR intended use must be subtracted from the CDBG-DR award to ensure that the same need is not paid for twice.

  See **Chapter 10** of this manual for more details on DOB requirements.
- **Housing and New Construction**: Damaged properties that require rehabilitation or reconstruction must meet HUD’s elevation and green building standards. If housing cannot safely be rebuilt, there may be a need for new housing to be constructed. CDBG-DR allows new housing construction and imposes affordability requirements that are typically not required under basic CDBG.
- **104(d) Relocation and One-for-One Replacement:** Activities funded by CDBG-DR that trigger the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA). HUD has waived requirements at sections 104(d)(2)(A)(i) and (ii) and section 104(d)(3). The one-for-one replacement requirement under 104(d) is also

modified to exclude substantially damaged housing and housing "not suitable for rehabilitation" from the replacement requirement.

- **Acquisition:** HUD has added an acquisition activity called a "buyout" for the purpose of creating open space and mitigating high-risk properties from future impacts. To encourage residents to sell their high-risk property and move to a safer living environment, HUD has allowed the use of incentives, which can encourage the sale of the property and assist the buyout participant with replacement housing.
- **Infrastructure:** All infrastructure projects must be designed and constructed to withstand extreme weather events and the impacts of climate change. An infrastructure activity includes any activity or group of activities (including acquisition or site or other improvements), whether carried out on public or private land, that assists the development of the physical assets that are designed to provide or support services to the general public.
- **Non-Residential Elevation:** Non-residential structures, including infrastructure, assisted with CDBG-DR funds must be elevated to the standards described in the FRN or floodproofed in accordance with the Federal Emergency Management Agency's (FEMA) floodproofing standards.
- **Match:** CDBG-DR funds may be used as the "local match" for other federal programs when used to carry out an eligible CDBG-DR activity. This includes activities funded by FEMA and the U.S. Army Corps of Engineers (USACE).
  Note: Match for USACE activities is capped at $250,000.
- **Economic Revitalization:** Economic revitalization varies somewhat from standard CDBG economic development. Economic revitalization includes activities that demonstrably restore and improve the local economy through job creation and retention or by expanding access to goods and services. The public benefit standards are waived, and activities now require alternative measures to document benefits to the public.
- **Section 3:** Activities funded by CDBG-DR must follow Section 3 as codified at 2 CFR Part 75. The updated Section 3 regulations change the way that Section 3 workers and Section 3 targeted workers are defined and reported, and goals that must be achieved for each class.

  See **Chapter 7** of this manual for more details on Section 3 requirements and procedures.

- **Environmental Review:** All activities funded by CDBG-DR must comply with applicable federal and state environmental rules and regulations, which generally require an evaluation of the environmental impacts of proposed projects and the identification of mitigation measures to minimize or prevent adverse impacts. All projects funded by HUD CDBG-DR funds will require an environmental review record (ERR) to be completed in compliance with HUD 24 CFR Parts 50, 51, 55, and 58 and all applicable state and local regulations.

When CDBG-DR funds are being used to match or supplement FEMA-assisted activities under sections 402, 403, 404, 406, 407, 408(c)(4), or 502 of the Stafford Act, the environmental review that was completed in relation to federal funding can be adopted without review or public comment. The other agency's environmental review must cover all project activities funded by the CDBG-DR recipient for each project.

See **Chapter 3** of this manual for more details on environmental requirements and procedures.

- **Expenditure Timelines:** HUD has imposed a six-year timeline on Oregon for expending 100% of its CDBG-DR grant. To comply with this expenditure timeline, each program policy states an expenditure timeline requirement for completion of funded activities and mechanisms for extending timelines, if needed and allowable.

2.1.2 Memorandum 22-01

The list below highlights key changes in Memorandum 22-01 applicable on Dec. 12, 2022.

- Private Utilities: HUD has imposed alternative requirements governing assistance to utilities in place of prohibiting the use of CDBG-DR funds to assist a privately owned utility. Oregon may choose to assist utilities as a part of a disaster-related eligible activity under section 105(a) of the Housing and Community Development Act of 1974 (42 U.S.C. 5305 (a)) as long as the assistance complies with the following requirements:
    - The activity must comply with applicable CDBG-DR requirements, including the requirements to meet a national objective and address an unmet recovery need or a risk identified in Oregon's mitigation needs assessment.
    - If assistance is provided to a for-profit entity for an economic development project under section 105 (a)(17), OHCS must first comply with the underwriting requirements in section II.D.6 of 87 FRN 31636.
    - OHCS must continue to carry out the grant consistent with the approved grantee's certification to give the maximum feasible priority to activities that will benefit LMI families.
        - This includes prioritizing assistance granted to a for-profit entity that will benefit areas where at least 51% of the residents are LMI persons and demonstrate how assisting the private, for-profit utility will benefit those areas.

  - Costs to assist the utility must be determined necessary and reasonable and must not duplicate other financial assistance. This includes documenting that the level of assistance provided to the utility addresses only the actual identified needs. Establishment of policies and procedures to ensure the CDBG-DR funds reflect the actual identified financing needs of the assisted businesses by using a mix of financing terms based on the business's financial capacity to ensure assistance is based on actual identified need.
    - Mixed financing terms may include repayable loans, forgivable loans, or grants.

2.2 Subrecipients

A subrecipient may be a public or private nonprofit agency, authority, or organization that receives CDBG-DR funds from OHCS to undertake eligible activities. The definition of a subrecipient can be found at 24 CFR § 570.500(c). It is further defined at 2 CFR § 200.1 as a non-federal entity that receives a subaward from a pass-through entity to carry out part of a federal award. Unless otherwise noted, the term "subrecipient" is used throughout this manual to denote organizations that have executed a Subrecipient Agreement (SRA) with OHCS to carry out defined eligible activities and who are or will be receiving CDBG-DR funds as a result thereof (2 CFR §200.331).

In addition, faith-based organizations are eligible, on the same basis as any other organization, to participate in any HUD program or activity, considering any permissible accommodations, particularly under the Religious Freedom Restoration Act.[5] According to 24 CFR § 5.109, OHCS or subrecipients must not discriminate on the use of a religious faith-based organization.

2.2.1 Selection Process

OHCS serves as lead agency and will contract subrecipients to (a) implement and manage individual projects or programs and/or (b) contract with and administer subgrantees. Prior to any award to subrecipients, OHCS will review all projects and programs, including those that may ultimately become subgrantee led, for CDBG-DR eligibility, ensuring that they comply with federal requirements, the Action Plan, and program guidelines.

[5] Refer to 24 CFR § 570.480(e) and § 570.200(j) for more information.

HUD permits its grantee, OHCS, to make program administration decisions regarding method of distribution of funds for carrying out their disaster recovery activities. OHCS may use any reasonable criteria to select a subrecipient, including but not limited to:

- Issuing a Request for Qualifications
- Issuing a Notice of Funding Availability (NOFA)
- Issuing an application process
- Selecting a qualified nonprofit organization serving a specific geography
- Selecting a unit of general local government
- Selecting a governmental agency or organization
- Making direct selection
- Other method(s), as applicable

Subrecipients shall not enter into any agreements for administration of programs or projects without prior written notice to OHCS. Refer to applicable program policies for more details on submitting applications.

2.2.1.1 Formal Application

Depending on the selection criteria, prospective subrecipients may be required to submit formal applications to OHCS. These applications may be required to describe proposed activities, implementation schedule, budget, staffing structure, and related experience, and ensure compliance with program regulations. OHCS shall then evaluate the applications according to the selection criteria, CDBG-DR program priorities, and Action Plans. A formal application process may be followed when:

- There is a specific need with defined goals or outcomes.
- Project activities are numerous and/or complex.
- There is a pool of potential applicants with varying degrees of expertise and capacity.
- The cost and level of potential program failure are high.
- There are limited funds and many competing needs and/or approaches for addressing these needs.

2.2.1.2 Direct Selection

OHCS has the discretion to directly identify and select a prospective subrecipient to carry out the desired CDBG-DR programs or activities and approach them directly to determine their interest and suitability for the work. Direct selection may be followed when:

- An entity is uniquely qualified due to having sole jurisdiction over a project or complete control/ownership over a project site.
- There is reasonable basis to conclude that direct selection will result in increased efficiencies and produce quicker results, thereby more quickly addressing the unmet need.
- It can be reasonably concluded that the minimum needs of the program project can only be satisfied by the selected subrecipient.

2.3 Subrecipient Agreement

The SRA is the basis for the contractual obligation between OHCS and the subrecipient to fund and implement the awarded activity or program as required by 24 CFR § 570.503. The agreement denotes responsibilities for each party and outlines in exact measure the scope of services to be provided, methods of accountability, and a schedule for payment. Execution of the agreement binds the subrecipient for a specified period of time (term) and may be revised only upon written authorization from OHCS.

OHCS utilizes a standardized SRA template, which may be amended from time to time.

A sample of the SRA template is available at oregon.gov/ohcs/disaster-recovery/Pages/ReOregon-Guidance.aspx

It is important to note that this manual is supplemental to the SRA and applicable federal and state regulations, standards, policies, and procedures. As a recipient of federal grant funds, the subrecipient must follow and understand basic program regulations applicable to the management and financial systems for CDBG-DR found in 24 CFR and 2 CFR.

The executed SRA between the subrecipient's organization and OHCS contains the rules applicable to implement the program, scope of work, timelines, performance goals, objectives, budgets, reports, staffing, and special conditions, if any, applicable to the specific services or project to be provided by the subrecipient's entity.

This manual will assist the organization in complying with the SRA. However, the manual is not meant to be used as the single document that rules the administration of the SRA. This document should be used as a supplement to the SRA and does not supersede the SRA provisions.

2.3.1 Project Signage

The SRA may include additional requirements such as funding source and OHCS recognition. For contracts including recognition requirements, the project signage should:

- Be placed in a prominent visible public area that is visually unobscured
- Be constructed of durable materials
- Be a minimum of 12” in height by 18” in length with lettering no smaller than ½”
- Include required text:
  - This project is funded by Oregon Housing and Community Services with funds allocated by the U.S. Department of Housing and Urban Development through the Community Development Block Grant Disaster Recovery program.

The OHCS contract administrator should be contacted with any requests to reduce the minimum size requirements or required text, or remove or add any language or recognition.

2.4 What Happens Once the SRA Is Signed?

Once the SRA with OHCS has been signed, OHCS staff will contact the organization’s representative to schedule an onboarding to the CDBG-DR program where performance goals, expected outcomes, and work plans will be reviewed and discussed. The organization may also be contacted by:

- DRR Finance Division to discuss matters pertaining to invoicing and reimbursement requests
- DRR Procurement Division to discuss matters pertaining to procurement of services or goods
- DRR Compliance Division to provide detailed guidance on resources available, pending documents/forms, and any other initial onboarding topics

In the event of necessary programmatic and/or budget changes, the subrecipient will need to contact their assigned OHCS staff for review and approval. The SRA contains specific provisions on what can lead to or cause an amendment. However, any changes in the SRA dispositions or its exhibits may trigger an SRA amendment process.